

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5007-01
Bill No.: SB 937
Subject: Holidays; Property, Real and Personal; Taxation and Revenue - Sales and Use
Type: Original
Date: March 16, 2010

Bill Summary: Would add certain purchases of bicycles to the sales tax holiday for clothing, personal computers, and school supplies.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
General Revenue	\$0	(\$5,585)	(\$5,585)
Total Estimated Net Effect on General Revenue Fund	\$0	(\$5,585)	(\$5,585)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Conservation Commission	\$0	(\$233)	(\$233)
Parks, and Soil and Water	\$0	(\$186)	(\$186)
School District Trust	\$0	(\$1,862)	(\$1,862)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$2,048)	(\$2,048)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume there would be no added cost to their organization as a result of this proposal. BAP officials stated that the proposal would add bicycles with a taxable value under \$300 to the list of items exempted from sales tax during the back-to-school sales tax holiday.

BAP also provided statistics from the National Bicycle Dealers Association which indicated that an estimated 18.5 million bicycles were sold nationally in 2008 with an average price of \$250 but a price range that runs much higher. BAP officials assumed that 1.7% of national sales would be in Missouri, that 50% would be under the proposed price ceiling, and that 1% of sales would take place during the three-day sales tax holiday. BAP officials assume this proposal could have an impact up to the amounts indicated below and stated that local sales tax revenues might be impacted, based on local participation in the sales tax holiday.

USA Sales	18,500,000
Missouri Sales (1.7%)	314,500
Sales Tax Holiday Sales (1%)	3,145
Missouri exempted sales	\$943,500
General Revenue	\$28,305
School District Trust	\$9,435
Conservation Commission	\$1,179
Parks, and Soil and Water	\$944

ASSUMPTION (continued)

Oversight notes that the National Bicycle Dealers Association website indicates mass merchant sales of approximately 74% of total bicycle sales and an average selling price of \$80. Oversight assumes that only a minimal number of sales by specialty bicycle retailers would be eligible for the sales tax holiday and has calculated the estimated impact of this proposal as follows:

USA unit sales	18,500,000
Missouri unit sales (1.7%)	314,500
Sales tax holiday unit sales (1%)	3,145
Eligible sales (74%)	2,327
Sales of eligible units at \$80 average price	\$186,160
General Revenue Fund at 3% sales tax rate	\$5,585
School District Trust Fund at 1% sales tax rate	\$1,862
Conservation Commission Fund at 1/8% sales tax rate	\$233
Parks, and Soil and Water Funds at 1/10% sales tax rate	\$186
Local Governments	Unknown

Oversight also notes that the proposed sales tax exemption would become effective August 28, 2010 after the 2010 “Back-to-School” sales tax holiday and will indicate no revenue reduction for FY 2011. Oversight will indicate the calculated revenue reduction for FY 2012 and FY 2013.

Officials from the **Department of Conservation** (MDC) assume this proposal could have a negative impact on MDC funds. MDC officials assume the amount would be unknown but less than \$100,000 per year.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assume this proposal would add purchases of bicycles with a taxable value of three hundred dollars or less to the list of allowable exemptions included in the current state and local sales holiday for certain clothing, personal computers, and school supplies purchased for personal use during a three-day period each August. Adding exemptions from sales tax would have a negative effect on total state revenue.

Exempting sales tax for the purposes described in this proposal would decrease the amount of funding available in the Parks & Soils Sales Tax Funds for long term operation of state parks and historic sites and assistance to agricultural landowners through voluntary programs.

Officials from the **Department of Revenue** (DOR) assume this proposal would include retail sales of bicycles with a value of less than \$300 to be included in the sales tax holiday. DOR officials assume Sales Tax would identify businesses that sell bicycles, but not other holiday related items, to update their registrations. A search of SIC codes indicates approximately 200 businesses sell sporting goods and may not have other qualifying items. The Department would mail changes to approximately 200 businesses. DOR included a cost for letters, envelopes, and postage of \$101 for FY 2011, \$104 for FY 2012, and \$106 for FY 2013.

Oversight assumes that DOR could absorb the minimal cost with existing resources. If unanticipated costs are incurred or if multiple proposal are implemented which increase DOR costs significantly, resources could be requested through the budget process.

Officials from **Platte County** and the **City of Centralia** assume this proposal would have no impact on their organizations.

Officials from **St. Louis County** assume the proposal would not have a great fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>(\$5,585)</u>	<u>(\$5,585)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>(\$5,585)</u>	<u>(\$5,585)</u>
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>(\$233)</u>	<u>(\$233)</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>\$0</u>	<u>(\$233)</u>	<u>(\$233)</u>
PARKS, AND SOIL AND WATER FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>(\$186)</u>	<u>(\$186)</u>
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	<u>\$0</u>	<u>(\$186)</u>	<u>(\$186)</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemption	<u>\$0</u>	<u>(\$1,862)</u>	<u>(\$1,862)</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>\$0</u>	<u>(\$1,862)</u>	<u>(\$1,862)</u>

FISCAL IMPACT - Local Government

FY 2011
(10 Mo.)

FY 2012

FY 2013

LOCAL GOVERNMENTS

Revenue reduction - sales tax exemption

\$0

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

\$0

(Unknown)

(Unknown)

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses involved in selling bicycles.

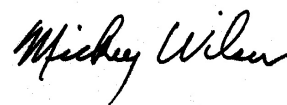
FISCAL DESCRIPTION

The proposed legislation would add certain purchases of bicycles to the sales tax holiday for clothing, personal computers, and school supplies.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
Platte County
St. Louis County
City of Centralia



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